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Department of State

TELEGRAM

EXCISE

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FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC IMMEDIATE 7310

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY cf DATE 6/19/01
PORTIONS DENIED AS INDICATED

S E C R E T SECTION 1 OF 2 TRIPOLI 129

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DEPT PASS KUWAIT AND TUNIS FOR UNDER SECRETARY

SUBJ: OIL SITUATION: AMBASSADOR'S MEETING WITH JALLUD

REF: STATE 8699, KUWAIT 70, STATE 9765

1. SUMMARY. AMBASSADOR MET AFTERNOON OF JANUARY 20 WITH DEPPRIMIN JALLUD TO INFORM HIM THAT UNDER SECRETARY IRWIN COULD ARRANGE BIREF VISIT TO TRIPOLI TO DISCUSS PETROLEUM AFFAIRS IF JALLUD DESIRED. JALLUD WAS INFORMED IN ADVANCE OF PURPOSE OF AMBASSADOR'S CALL. HE WAS CORDIAL, BUT FOCUSED UPON LARG'S REFUSAL TO NEGOTIATE UNDER TERMS OFFERED IN JOINT INDUSTRY STATEMENT, WHILE REPEATEDLY ASSERTING LARG'S DESIRE TO AVOID TAKING UNILATERAL ACTION BY REACHING NEGOTIATED SETTLEMENT. OIL NEGOTIATIONS, HE SAID, COULD BEGIN AS SOON AS COMPANIES WITHDREW "CONDITIONS" THEY HAVE ATTEMPTED TO IMPOSE IN THEIR JOINT STATEMENT. JALLUD EXPLICITLY STATED LARG'S PREPAREDNESS TO USE OIL AS MEANS TO INFLUENCE USG MIDDLE EAST POLICY, BUT DID NOT RESOLVE CONFLICT BETWEEN THIS ASSERTION AND WILLINGNESS TO NEGOTIATE SETTLEMENT WITH COMPANIES. JALLUD TOOK PAINS TO EXPLAIN THAT PRESS OF BUSINESS PREVENTED HIM FROM RECEIVING UNDER SECRETARY, AND THAT HE COULD SAY NOTHING DIFFERENT FROM WHAT HE HAD TOLD AMBASSADOR. MEETING CLOSED WITH JALLUD'S REMARK THAT DANGER IN PRESENT SITUATION IS THAT COMPANIES' REFUSAL TO NEGOTIATE WITHOUT CONDITIONS WILL PUSH EITHER ALL OR PART OF OPEC TO TAKE UNILATERAL ACTION. END SUMMARY.

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2. IN RESPONSE TO REFTELS, AMBASSADOR CALLED ON DEPPRIMIN JALLUD JAN. 20 AT HIS OWN URGENT REQUEST TO INFORM HIM OF USG VIEWS ON PETROLEUM SITUATION AND OF OPPORTUNITY TO DISCUSS THESE VIEWS WITH UNDER SECRETARY, IN CONNECTION WITH LATTER'S VISIT TO AREA, IF HE DISIRED TO DO SO. CALL WAS CORDIAL, LASTED OVER ONE HOUR, AND WAS ATTENDED BY MUFA UNDER SECRETARY [illegible]IKHYA AND MINPET MABRUK.

3. AMBASSADOR OUTLINED USG'S VIEWS ON CURRENT OIL SITUATION AS AGREED REFTELS AND CONCLUDED HIS OPENING REMARKS WITH STATEMENT OF UNDER SECRETARY'S WILLINGNESS TO VISIT TRIPOLI, BRIEFLY, FOR FURTHER EXCHANGE IF JALLUD DESIRED TO MEET WITH HIM.

4. JALLUD BRIEFLY LEAD INTO NECESSITY FOR ARABS TO USE ALL THEIR WEAPONS, INCLUDING OIL, AGAINST US POLICY IN MIDDLE EAST AND TO BRING ABOUT ISRAELI WITHDRAWAL. HE EXPRESSED HOPE THAT DAY IS NEAR WHEN OIL WILL BE USED AS ARAB WEAPON.

5. JALLUD THEN TURNED TO OIL NEGOTIATIONS AND SAID LARG AWARE OF USG SUPPORT FOR PLAN TO DIVIDE OPEC. LARG WILL NO LONGER PERMIT COMPANIES TO PLAY WITH OIL PRICES, AS THEY HAVE IN PAST, AND REFUSES TO NEGOTIATE IN OPEC CONTEXT. OPEC HAS DEFINED FRAMEWORK FOR CURRENT NEGOTIATIONS - BUT MEMBERS MUST NEGOTIATE ON THEIR OWN BEHALF. COMPANIES EFFORT TO FORM UNITED FRONT WILL PROVE TO BE STILLBORN BECAUSE THEY WILL NOT BE ABLE TO MAINTAIN THEIR UNITY IN FACE OF CONSUMERS' DEMANDS FOR ENERGY AND PRESSURE FROM PRODUCERS. LARG WILL NEVER RETREAT FROM SUPPORT OF OPEC RESOLUTIONS AND ITS OWN DEMANDS. LARG DESIRES TO NEGOTIATE AND COMPANIES SHOULD JOIN NEGOTIATIONS IN SPIRIT OF REASON AND MUTUAL CONFIDENCE. CONTINUED REFUSAL BY COMPANIES TO NEGOTIATE WILL JEOPARDIZE THEIR INTERESTS.

6. JALLUD THEN DETOURED TO READ EXCERPTS HE SAID WERE FROM ARTICLE ON LIBYA IN NATIONAL REVIEW OF NOV. 17, WHICH HE FOUND OFFENSIVE FOR ITS DISDAIN OF LIBYAN PEOPLE AND SUGGESTION THAT US SHOULD OCCUPY LIBYA TO SECURE ITS OIL AND STRATEGIC INTERESTS. AMBASSADOR

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REPLIED THAT STATEMENTS JALLUD HAD QUOTED DID NOT REPRESENT

ANY SEGMENT OF RESPONSIBLE AMERICAN OPINION - MUCH LESS THAT OF USG. AMBASSADOR THEN REFOCUSED CONVERSATION ON SUBSTANTIVE POINTS JALLUD HAD MADE.

7. AMBASSADOR TOLD JALLUD THAT ANY LARG ATTEMPT TO USE OIL AS WEAPON TO INFLUENCE USG WOULD FAIL BECAUSE USG'S FOREIGN POLICY IS BASED UPON DEALING WITH ISSUES ON THEIR MERITS. WHILE THERE ARE SERIOUS DIFFERENCES BETWEEN USG AND LARG OVER MIDDLE EAST, LARG SHOULD UNDERSTAND THAT WE ARE WORKING FOR PEACE WITHIN FRAMEWORK OF UN RES. 242 AND WILL NOT BE DIVERTED FROM THIS COURSE BY PRESSURES ON OIL - NEITHER FROM PRODUCERS, CONSUMERS NOR COMPANIES.

8. AMBASSADOR REMINDED JALLUD THAT OIL COMPANIES' POSITION WAS IN RESPONSE TO OPEC RESOLUTIONS, WHICH WERE ADDRESSED TO BULK OF OIL INDUSTRY. INDUSTRY HAS RESPONDED WITH OFFER WHICH USG THINKS PROVIDES BASIS FOR NEGOTIATIONS LARG SEEKS. SINCE JALLUD HAD SAID THAT LARG SUPPORTS OPEC RESOLUTIONS, IT SHOULD EXPLORE COMAPNIES' OFFER WITHIN OPEC AND RESOLVE LATER ANY REMAINING ISSUES WHICH US CONSIDERS ARE UNIQUE TO LIBYA AND OUTSIDE OPEC'S PURVIEW.

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9. JALLUD REPLIED BY REASSERTING LARG'S DESIRE FOR NEGOTIATIONS - BUT WITHOUT CONDITIONS HE SAID COMPANIES ATTEMPTING TO IMPOSE. HE SAID LARG DID NOT WISH TO TAKE UNILATERAL ACTION, BUT WOULD DO SO UNLESS COMPANIES REMOVE CONDITIONS AND BEGIN NEGOTIATIONS.

10. AMBASSADOR REQUESTED JALLUD'S RESPONSE TO UNDER SECRETARY'S WILLINGNESS TO VISIT TRIPOLI TO MEET WITH HIM. JALLUD REPLIED AT LENGTH - EXPLAINING THAT, BECAUSE OF OIL SITUATION AND IN ABSENCE OF PRIMIN AND RCC PRESIDENT QADHAFI, HE HAD MANY PRESSING DUTIES WHICH PREVENTED HIM FROM MEETING UNDER SECRETARY. HE ASKED THAT AMBASSADOR CONVEY HIS VIEWS TO OIL COMPANIES AND ENCOURAGE THEM TO NEGOTIATE AND ADDED THAT HE COULD SAY NO MORE TO UNDER SECRETARY THAN HE HAD TO AMBASSADOR.

11. JALLUD OFFERED TO MEET AGAIN WHENEVER AMBASSADOR WISHED TO DISCUSS MATTERS OF MUTUAL CONCERN - TO WHICH AMBASSADOR REPLIED THAT HE WAS PLEASED TO HAVE THIS EXPRESSION OF WILLINGNESS TO CONTINUE TO DISCUSS COMMON PROBLEMS FOR HE HAD ENCOUNTERED SOME DIFFICULTY IN MEETING WITH JALLUD RECENTLY. MEETING CLOSED WITH JALLUD ASSERTING THAT THERE IS DANGER COMPANIES' WILL PUSH ALL OR PART OF OPEC INTO TAKING UNILATERAL ACTION.

12. COMMENT: JALLUD'S REMARKS ON OIL CONTAIN LITTLE THAT IS NEW. HOWEVER, THEY SEEM TO CONFIRM THAT LARG IS WAITING FOR RESULTS OF NEXT OPEC MINISTERIAL MEETING BEFORE MOVING AGAINST COMPANIES. WE ASSUME THAT LARG WILL PRESS OPEC MEMBERS TO SUPPORT ITS DEMAND FOR INDIVIDUAL NEGOTIATIONS - ALTHOUGH JALLUD INDIRECTLY ADMITTED THAT LARG PROBABLY COULD HOPE FOR ONLY PARTIAL SUPPORT FROM OPEC.

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13. BECAUSE OF AMBASSADOR'S EXPECTED DEPARTURE FOR TUNIS TOMORROW, WE ARE NOW INFORMING SELECTED INDUSTRY REPS (ESSO AND OCCIDENTAL) OF SUBSTANCE OF MEETING, AND AMBASSADOR WILL BRIEF COMPANIES PARTICIPATING IN INDUSTRY POSITION MORE FULLY JAN. 23, UPON HIS EXPECTED RETURN TO TRIPOLI.

14. WE DO NOT INTEND INFORM COMPANIES [redacted] OF UNDER SECRETARY'S OFFER VISIT LIBYA. WE DOUBT LARG WILL PUBLICIZE TURNDOWN AND BELIEVE IT BEST THAT MATTER BE KEPT IN US CONFIDENCE. B1 B5

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